

DEPARTMENT OF SOCIAL SERVICES

744 P Street, Sacramento, CA 95814



January 12, 1997

COUNTY FISCAL LETTER (CFL) NO. 97/98-48

TO: COUNTY WELFARE DIRECTORS
COUNTY FISCAL OFFICERS
COUNTY AUDITOR CONTROLLERS
COUNTY PROBATION OFFICERS

SUBJECT: COUNTY WELFARE DEPARTMENT COST ALLOCATION PLAN (CWD
CAP) TRAINING QUESTIONS AND ANSWERS

During the week of September 22-26, 1997, the Fiscal Policy Bureau (FPB) provided statewide training in Contra Costa, Shasta, and Orange Counties on the federally-approved CWD CAP revisions implemented July 1, 1997. Time study and claiming instructions pertaining to these revisions were issued in CFLs Nos. 97/98-01, dated July 2, 1997, and 97/98-26, dated October 15, 1997. As promised during the training sessions, this letter transmits a record of the questions and answers discussed at each of the sessions and includes policy updates for those questions that required further research. The questions and answers are grouped by the following areas: DFA 327.9, Direct Charge Methodology Certification; Allocable Plus Nonallocable Hours; Start-up/Nonrecurring Costs; Overtime (OT) and Compensating Time Off (CTO); Support Operating - Space, Travel, Other Operating, Purchase of Services; and General.

DFA 327.9, DIRECT CHARGE METHODOLOGY CERTIFICATION

1. Question: Is the DFA 327.9 subject to California Department of Social Services (CDSS) approval? When or will the CDSS acknowledge receipt of the DFA 327.9s?

Answer: There will be no formal approval process for the Certification, however, it will be reviewed for completeness, kept on file, and used during field monitoring reviews. All costs remain subject to field review where verification and correlation between the DFA 327.9 and the claim would be performed.

At the request of counties during the CWD CAP training, the FPB will, within 30 days of receipt, send the county an acknowledgement letter. If clarification or additional information is necessary, your FPB county consultant will contact the county.

2. Question: Is the DFA 327.9 required to direct charge start-up and one time only costs?

Answer: A DFA 327.9 is not necessary if this is the only new option a county is implementing, and the cost being claimed is a one time only cost.

3. Question: Can the direct charge option be implemented retroactive to submission of the DFA 327.9?

Answer: No. Counties cannot claim costs for previous quarters using the new options prior to submission of the DFA 327.9. The DFA 327.9 must be submitted prior to or during the quarter of implementation, or with the implementation quarter's administrative expense claim (AEC).

4. Question: a.) When can counties change methodologies, add new items/options to be direct charged, or revert to the former allocation methodology?
- b.) Please clarify the circumstances under which the DFA 327.9 must be submitted in subsequent fiscal years.

Answer: Before answering this question we want to clarify the following terms:

- Direct Charge Option means OT/CTO or Support Operating.
 - Support Operating means Travel, Space, Other Operating or Purchase of Services.
 - Methodology means the direct charging of a cost to the function or program level.
 - Charge Basis means the method used to determine and distribute costs (i.e., square footage or full-time equivalents (FTEs) for space costs).
- a.) Counties can add new direct charge options or make an addition to a line item, but cannot change implemented options or methodologies except at the beginning of a new fiscal year. The charge basis must remain the same for like costs, though a county can change a charge basis at any time. To make any of the noted changes a county must submit a new DFA 327.9.

A county has the option to discontinue the direct charge methodology only at the beginning of a new fiscal year, and only after the fiscal year commitment has been met. If a county

chooses to discontinue the direct charge methodology they must notify us in writing of the intent to discontinue claiming costs in the manner identified on the DFA 327.9. This written document should include the Fiscal Officer's and Director's signature.

- b.) A new DFA 327.9 will need to be submitted at the beginning of a new fiscal year if a county wishes to change methodologies, or would like to remove one of the direct charge methodologies - OT/CTO or Support Operating-Space, Travel, Other Operating or Purchase of Services. A new DFA 327.9 will not be required each fiscal year if there is no change to the county's previously selected direct charge options or methodologies.

5. Question: Can costs be direct charged to the program level and the function level within the same function?

Answer: No. A-87 Cost Principles require that like costs be treated in a consistent manner. Using travel costs as an example, like costs could be considered to be all travel costs or could be individual items of travel cost. They are costs of the same nature or grouping. Using travel as an example, a CWD chooses to direct charge individual items of travel costs. Example: Invoices will be the direct charge basis used in determining the methodology for charging gasoline costs to the function or program level. The charge basis must remain the same across all functions, thus satisfying the Federal requirement that like costs be treated in a consistent manner.

To further adhere to the Federal directive, the CWD must also treat the gasoline costs consistently within each function by claiming costs either to the function level or program level, not both. The methodology may differ between the functions. Example: For the Social Services function, the county is able to claim costs to the program level using invoices. No costs can then be identified to the function level. For the Eligibility function, the CWD cannot identify costs to the program level and will then identify all costs to the function level only using mileage.

6. Question: Does the DFA 327.9 replace the Support Staff Time Reporting Plan (SSTRP)?

Answer: No. Counties are still required to submit an SSTRP in accordance with CFL No. 93/94-29. SSTRP guidelines are still applicable. The SSTRP is an existing methodology to charge support staff costs to the function/program. If the county's choice to direct charge to the function or program level affects support staff claiming, those changes will need to be reflected in the county's SSTRP.

ALLOCABLE PLUS NONALLOCABLE HOURS

NOTE: The following questions (#7-#9, #14-#16) and answers are applicable for the September and December 1997 quarters. Effective with the implementation of welfare reform provisions upcoming in the March 1998 quarter, the State has proposed to return to an allocation methodology based upon allocable hours only.

7. Question: Counties using a random moment time study process are not able to identify nonallocable hours to the function level. What mechanism is available to identify nonallocable to separate functions?

Answer: The CDSS has established a separate nonallocable code for each function. Counties were notified of the new codes in the September 1997 quarter claim letter, CFL No. 97/98-26, dated October 15, 1997, and the December 1997 time study letter, CFL No. 97/98-25, dated September 26, 1997.

8. Question: If the county hires a temporary employee to fill in behind a permanent employee who is on paid medical leave, are the salaries of both employees reported to nonallocable?

Answer: No. Salaries are not reported to nonallocable. Time is recorded to nonallocable. Assuming the employees are caseworkers, the salaries for both employees are reported in the appropriate casework cost pool and allocated to all programs based on time study hours. For time reporting purposes, the temporary employee time studies in the normal manner to the programs worked and nonallocable. The time of the employee on paid medical leave is recorded as nonallocable.

"Nonallocable" means time attributable to activities which do not benefit a specific function or program but do support the overall performance of the employee. Accordingly, all employees are to record breaks; dock, furlough, and leave without pay time; holidays; jury duty; military leave; sick leave; and vacation as nonallocable whether permanent or temporary.

9. Question: Does the new method for treating nonallocable hours affect how FTEs are counted?

Answer: No. Nonallocable hours are only used to develop functional ratios.

10. Question: Are costs generic if they benefit a function or if they benefit the entire department?

Answer: "Truly generic" costs are those which benefit the entire department and cannot be identified directly to specific functions and programs.

They include activities such as fiscal, personnel, budgets, and administrative support.

11. Question: If a county opts to direct charge, must the "truly generic" costs also be direct charged?

Answer: No. The generic costs are allocated based on functional and program ratios.
12. Question: Under what circumstances would a county use payroll instead of time study hours?

Answer: Use of a payroll and labor distribution reporting system depends on each county's own circumstances and is at county discretion. A county considering a payroll distribution system may wish to contact a county that currently uses such a system. Counties may also reference All-County Letters (ACL) Nos. 88-88 and 88-89 for State guidance.
13. Question: Do generic costs have to be allocated based on functional ratios?

Answer: Yes. The federally approved CAP requires allocation based on functional ratios. A different methodology would require submission and approval of a revised CAP.
14. Question: Should nonallocable hours continue to be entered on the DFA 47?

Answer: Yes. Counties must continue to enter the hours. The allocable and nonallocable hours are added together to develop the function ratios.
15. Question: Must the same methodology be used for charging nonallocable as for allocable hours?

Answer: Yes, there is no mechanism on the Administrative Expense Claim (AEC) to identify nonallocable hours to the program level.
16. Question: What is the impact on split-function workers?

Answer: There is no impact to split-function workers. The established policy is for split-function workers to maintain a continuous time study throughout the quarter for each of the functions and to record their nonallocable time on one functional time study only. The mid-month time study may be used if the CWD has determined, and can support, that the mid-month time study is representative of the entire quarter's activities. Please reference draft MPP 25-811.8. The above policy will remain in effect. Now that nonallocable hours must be identified by function, counties must allocate each caseworker's total

nonallocable hours between the assigned functions. Counties should develop ratios between the individual functional hours to the total functional hours and apply the ratios to the total nonallocable hours.

17. Question: Are counties required to notify the State which allocation basis (time study or payroll hours) will be used?

Answer: No. However, use of a payroll distribution system must have prior written approval by the CDSS. See question/answer for #12 above.

18. Question: Should leave time without pay be reported as nonallocable?

Answer: No. Since staff on leave without pay do not have salaries included in the salary pools and do not time study, the hours would not be included as nonallocable.

START-UP / NONRECURRING COSTS

During the training session, counties requested further clarification of start-up nonrecurring costs. This section provides additional information about what we would consider a start-up cost. Start-up/nonrecurring costs are one-time only costs incurred as a result of a major program change, an expansion of an existing program or a major agency reorganization. Start-up/nonrecurring costs can also be claimed upon implementation of a new program or when a county receives an augmentation or one-time receipt of new funds for a program.

Counties should consider the examples and concepts provided as the criteria for determining if a cost should be claimed as start-up.

- Major Program Change: The California Food Assistance Program and California Work Opportunities and Responsibility for Kids (CalWORKs) are two examples of a major program change.
 - Expansion of an Existing Program: The Greater Avenues for Independence (GAIN) program expansion to the Job Opportunities and Basic Skills (JOBS) program, or the Emergency Assistance program expansion to include Child Welfare Services.
 - Major Agency Reorganization: A departmental change to super or umbrella agency or when a department splits itself off and reports to another section or organization. It also could occur when a function or program undergoes a major change, which requires the county to restructure itself. Sometimes as a result of a major program change or the expansion of an existing program an agency could undergo a major reorganization.
19. Question: If a county chooses to physically relocate its GAIN program to a new building, can the costs be direct charged as start-up?

Answer: It would depend upon the nature of the move. If the move is a result of the implementation of a new program, major program changes, an expansion of the existing program, a one-time receipt of new funds or a result of a major agency reorganization the cost could be direct charged as start-up. The cost could not be claimed as start-up if the move is intended to replace existing resources. For example, an administrative staff person "donates" his furniture for purposes of the new/expanded program's use and orders new furniture. The cost of the new furniture cannot be claimed as a start-up cost as it is not a start-up cost of the new/expanded program, and is not the intent of the policy revision for direct charging start-up costs.

20. **Question:** Are costs of a new unit created to evaluate direct cost options and develop implementation plans considered start-up costs?

Answer: If the new unit was created solely for the purpose identified in the question, it would not meet the criteria listed above, and, therefore, could not be claimed as a start-up cost. If, however, the new unit was created as a result of any of the examples indicated above, the cost of the new unit could be claimed as a start-up cost.

21. **Question:** Can costs of replacing existing ISAWS file folders be claimed as start-up?

Answer: The county must determine if the cost is a unique cost that would not have been incurred except for: 1.) the implementation of a new program; 2.) receipt of new one-time only funds or major augmentation to existing funds; 3.) a major agency reorganization. If the cost is due to any of the above, then the CWD may choose to direct charge the cost either to the function level or to the program specifically affected. Costs may not be direct charged as start-up or nonrecurring costs if the cost is intended only to replace existing resources.

OT AND CTO

22. **Question:** If OT or CTO hours cannot be tracked, should the time be charged to nonallocable?

Answer: Yes.

23. **Question:** Since OT/CTO will be charged to the program/function that caused the OT, who determines which program/function actually caused the OT?

Answer: The county makes the determination and should ensure a proper audit trail.

24. Question: Will there be additional rules or restrictions for OT/CTO that impact counties?

Answer: The CDSS does not anticipate any additional requirements. However, if additional restrictions are imposed in the future, it would be a reasonable assumption that counties would be allowed to opt out of the direct charge methodology. In addition, the CDSS would work with the County Welfare Directors' Association on implementing any changes whether OT/CTO or other.

25. Question: Has a standard procedure been established to track OT/CTO hours earned and used? Which tracking methodology is best? What are other counties doing now?

Answer: Each county is responsible for developing their own tracking mechanism. A system developed by one county may not be suitable for another. If the function/program which caused the OT cannot be identified or tracked, counties still have the option of claiming the hours to nonallocable.

26. Question: Will the State want to review the methodology used for OT/CTO tracking?

Answer: Not at this time, however, a section will be included on the DFA 327.9 in the future. Counties should ensure a proper audit trail of the methodology used.

27. Question: If the program that caused the OT is no longer in existence, where should the hours be reported?

Answer: Nonallocable.

28. Question: If a county direct charges OT/CTO to one function, must it be direct charged to all functions?

Answer: Yes. For consistency, if OT/CTO hours are tracked to one function, they must be tracked in the same manner across all functions/programs.

29. Question: Why is paid OT treated differently than CTO?

Answer: Both paid OT and CTO hours are to be treated the same, unless CTO hours cannot be tracked. If CTO hours cannot be tracked, they are reported to nonallocable.

30. Question: If a county direct charges standby time, can they charge the rest of OT based on time study hours?

Answer: Standby time continues to be direct charged to the appropriate component to the current program identifier number (PIN) ending in expense code 68, Direct Costs. Counties may continue this policy and choose not to direct charge any other OT.

If a county does choose to direct charge all other OT, the county should use the newly established OT/CTO PINs (expense codes 92/93) for that OT.

31. **Question:** How will the changes in reporting OT/CTO, affect counties using a Random Moment Time Study (RMTS)?

Answer: The impact to RMTS and non-RMTS counties is the same.

32. **Question:** How would CTO earned prior to implementing the direct charge option be reported since the function/program that caused the OT is not known? Does the change apply only to OT/CTO time earned after implementation? Should hours be used on a "first in, first out" basis?

Answer: OT/CTO which cannot be identified to the function/program which caused the OT should be reported as nonallocable. Each county is responsible for developing their own mechanism for tracking OT.

33. **Question:** Will the supervisor's OT be allocated according to the time studies of his/her workers?

Answer: No. Supervisors must also identify OT to the function/program which caused the OT. If the appropriate function/program cannot be identified, the time should be charged as nonallocable.

34. **Question:** The new Federal directive is for the OT to be charged to the program that caused the OT.

For counties using a mid-month time study, the OT costs could be charged twice to the program that caused the OT with an offsetting undercharge to the program in which the OT was actually worked. What is the outcome during a non-time study month?

Answer: CWDs have the option to direct charge OT costs to the function or program level. Should a CWD choose this option, OT costs are to be charged to the function or program that the county reasonably determined to be the cause for staff to work OT.

During a time study month a caseworker records hours to the programs worked. His regular salary for the entire quarter is claimed in the appropriate casework cost pool and allocated to programs

based on those time study hours. In an OT situation, whether or not it is a time study month, OT hours are not recorded. The hours are tracked at the county level only to determine the OT salary costs. The costs are either pooled in the appropriate casework cost pool and allocated based on the mid-month time study hours, or may now be direct charged to the program that caused the OT.

35. Question: If county staff are unable to understand the concept of charging OT/CTO to the function/program that caused the OT, is the county required to implement the change?

Answer: No. Direct charging OT/CTO is an option that may be implemented at each county's discretion. If, however, a county chooses to direct charge OT/CTO, the time must be reported to the program/function that caused the OT and staff must be trained in the concept to ensure appropriate charging for compliance with the Federal directive.

SUPPORT OPERATING - SPACE

36. Question: Can use allowance on the A-87 space plan be direct charged to program?

Answer: Local cost plans will not change. All Countywide Cost Allocation Plan (CCAP) costs will continue to be charged in the manner and methodology approved by the State Controller's Office. Space costs outside of the CCAP process can be direct charged to the program level.

37. Question: Can shared space be direct charged to function/program using both FTEs and square footage?

Answer: No. For consistency, only one method should be used. Common areas can be reported as truly generic costs.

38. Question: If square footage is used to allocate shared building space between welfare and nonwelfare programs, must the same methodology be used to allocate the space within the various welfare programs?

Answer: No. Square footage may be used for separating welfare from nonwelfare space. A different methodology may be used for space of programs within the welfare portion. However, whatever methodology is chosen for the latter, it must be applied consistently to all welfare programs occupying the space.

39. Question: If a CWD occupies several buildings, can FTEs be used for determining costs for one building and square footage for another building?

Answer: No. The same methodology must be applied consistently for all buildings.

40. Question: What mechanism is to be used for direct charging space on the AEC?

Answer: A direct cost PIN for space has been established for all programs and will be available in the State of California Automated Template (SOCAT) PIN Table effective with the September 1997 quarter.

41. Question: If space is identified to the function level for one building, must all buildings be identified to function?

Answer: Yes. However, if costs are identified to a program within a function, space costs for all programs within that function must be identified to the program level.

42. Question: If a county elects to direct charge space costs, must space currently allocated through the CCAP also be direct charged?

Answer: No. The direct charge process does not affect CCAP costs.

43. Question: If FTEs are used to direct charge space, is the computation based on filled positions or allocated positions? How often should FTEs be calculated?

Answer: FTEs represent the numbers of "bodies" for the purposes of allocating costs. In this case, FTEs should be based on filled positions. It is each county's responsibility to determine how often the FTE calculation is made and to ensure that the methodology is consistent and equitable.

SUPPORT OPERATING - TRAVEL

44. Question: If a county purchases 10 cars of which 5 are direct charged to the social services function, can the cars be used for other functions?

Answer: No. Costs must be allocated based on the benefits received. Therefore, if the cars are used for non-social services activities, the county should develop a methodology to charge the costs of those activities to the appropriate function/program.

SUPPORT OPERATING - OTHER OPERATING

45. Question: How should counties evaluate/determine the cost shifts that would result from direct charging?

- Answer: Using a typical quarter, mock claims can be prepared to compare cost shifts by applying different methodologies and options.
46. Question: How would a county treat equipment costs if certain items (e.g., personal computers) can be identified to function/program but other items (e.g., mail equipment, copy machines, etc.) cannot?
- Answer: If a county chooses to direct charge equipment, any items that cannot be directly identified to function/program (e.g., mail machines, copy machines, etc.) can be reported as a truly generic costs.
47. Question: What type of information is required on invoices?
- Answer: Each county must determine the appropriate documentation to maintain and must ensure that a clear audit trail is provided to support charging to the appropriate function/program.
48. Question: How should personal phone calls be treated?
- Answer: Reimbursements for personal phone calls should be abated to the same category in which the costs were charged.
49. Question: If equipment is purchased for one program but, years later, is transferred to and used by a different program, how should the costs be reported?
- Answer: In reporting such costs, counties are required to apply current A-87 as well as program specific guidelines.
50. Question: Can some costs be direct charged to function and others to generic?
- Answer: Yes. Counties may choose which accounts (e.g., office supplies) will be direct charged and which will be allocated as generic. However, the methodology must be consistent within each account.
51. Question: If two rolls of film are purchased, can a county direct charge one roll to a specific function/program and allocate the second roll as generic (the latter would be used for general administrative activities by the personnel office)?
- Answer: Yes. However, the charge basis must be consistent (i.e., invoice method).

SUPPORT OPERATING - PURCHASE OF SERVICES

52. Question: Do counties have the option to direct charge costs of central support departments without going through the CCAP? Can county counsel

costs be direct charged while all other central support costs are allocated through the CCAP?

Answer: The decision for which central support costs are direct charged versus those that are allocated through the CCAP process is made at the local level. Non-CCAP central support costs/services provided by a central support agency may be direct charged. These include services that are not part of the CCAP costs approved by the State Controller's Office (SCO). For example, your county maintenance agency provides building janitorial services as part of the approved CCAP. You may also use this same agency to replace a broken window (a service not part of the CCAP). This would then be a direct charge of a non-CCAP cost. All central support CCAP costs are subject to the SCO guidelines and must continue to be submitted for their approval.

53. **Question:** Please clarify when interdepartmental agreements are required. Will umbrella agencies be required to have agreements within their department?

Answer: Agreements are needed for purchase of services from other county departments and public or private agencies. No agreement or MOU is needed for services provided within a department or for central support agencies whose costs are specifically addressed in the Statewide CCAP, local CCAP, or umbrella/department CAP. (Note: Under the CDSS' interpretation, local budgets are equivalent to local CCAPs). Reference 45 Code of Federal Regulations (CFR) 95.507(6), Plan Requirements.

54. **Question:** When would a purchase of service be charged as generic?

Answer: When the service cannot be identified to a specific function/program or when the service benefits the entire department.

GENERAL

55. **Question:** Does the \$5,000 limit for expensing electronic data processing (EDP) equipment apply to each individual item purchased or to the total purchase price of multiple pieces purchased as a unit?

Answer: The \$5,000 limit applies to each item regardless of whether a single or multiple items are purchased. All EDP purchases continue to be subject to the Health and Welfare Data Center's process. If the cost is for general office equipment under \$5,000, it is considered a supply cost. For further information regarding claiming of EDP equipment, please reference CFL No. 96/97-63.

56. Question: How are the CalWORKs costs direct charged on the AEC?

Answer: Counties should continue to time study and claim related costs to existing programs. Early CalWORKs start-up activities should be identified to the most closely related (old) program. Costs associated with CalWORKs implementation may be charged as start-up costs. Please reference CFL No. 97/98-25 for further information.

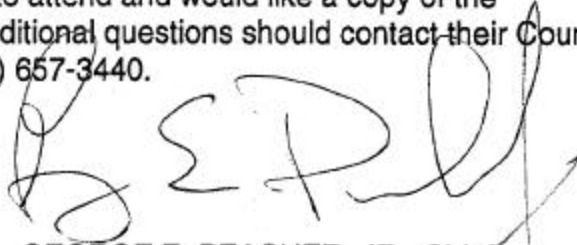
57. Question: Will the direct charge methodology affect the current County Cost Analysis Bureau's (CCAB) allocation process?

Answer: The allocation process remains as it has been in the past. As program allocations are built giving consideration to past expenditures, counties should be cognizant that the direct charge option may affect actual costs upon which future allocations will be based. If a county opts out of direct charging and back to a generic distribution of costs methodology, the historical data considered to build the allocation will be based upon direct charge data.

58. Question: If direct charging causes the county to exceed its allocation, will the excess costs be transferred to County Only or will there be a statewide allocation shift?

Answer: Costs claimed over and above the allocation will be transferred to 100 percent county funding. For those allocations where appropriate, as in the past, CCAB will redistribute unspent funds during the fiscal year close-out process.

The FPB, and especially the trainers, would like to express their appreciation to the counties that were able to attend the sessions, and thank you for your valued participation. Counties that were unable to attend and would like a copy of the training packets/handouts or have any additional questions should contact their County Assistance Unit Fiscal Consultant at (916) 657-3440.



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c: CWDA